

Message Text

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ACTION OPIC-12

INFO OCT-01 EA-11 ISO-00 AID-20 CIAE-00 COME-00 EB-11

FRB-03 INR-11 NSAE-00 TRSE-00 XMB-07 SP-03 CIEP-03

LAB-06 SIL-01 OMB-01 DODE-00 PA-04 USIA-15 PRS-01

/110 W

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R 160855Z AUG 74

FM AMEMBASSY KUALA LUMPUR

TO SECSTATE WASHDC 7752

AMEMBASSY BANGKOK

AMCONSUL HONG KONG

AMEMBASSY JAKARTA

AMEMBASSY MANILA

AMEMBASSY SAIGON

AMEMBASSY SEOUL

AMEMBASSY SINGAPORE

AMEMBASSY TAIPEI

AMEMBASSY TOKYO

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E.O. 11652: N/A

TAGS: ECON EINV ELAB MY

SUBJECT: ELECTRONICS PRODUCTION

REF: SINGAPORE 3186, STATE 176712

1. BACHGROUND: THE SURGE OF INVESTMENT IN ELECTRONICS COMPONENTS MANUFACTURE BEGAN EARLY 1972 MALAYSIA. TODAY TWENTY-FIVE U.S. FIRMS PRODUCE COMPONENTS FOR EXPORT USA, SINGAPORE, HONG KONG, AND JAPAN. HOWEVER, SINCE JANUARY 1974, WHEN GOM'S SPECIAL INCENTIVES FOR NEW ELECTRONICS INVESTORS RAN OUT, INTEREST NEW U.S. INVESTORS WANED. BUT DURING HEYDAYS OF 1972-73, NEW INVESTORS, RUNNING AT FULL CAPACITY, CAME TO MALAYSIA

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FROM SINGAPORE (NS, HEWLETT-PACKARD, TEXAS INSTRUMENTS;

KOREA (MOTOROLA) TAIWAN (RCA), HONG KONG (ITT) AND DIRECTLY FROM USA. IN GENERAL, EXPANSION REGIONALLY BASED ON THE PROPOSITION OF SPREADING THE INVESTMENT FOR BOTH ECONOMIC AND POLITICAL CONSIDERATIONS. AND LIKEWISE, U.S. ELECTRONICS INVESTORS HAVE SINCE SPREAD FROM MALAYSIA TO OTHER COUNTRIES: NS TO BANGKOK AND INDONESIA, MONSANTO TO INDONESIA, LITRONIX TO PORT LOUIS IN THE SEYCHELLES. NS READILY ADMITTED THAT THREE PLANTS IN MALAYSIA ENOUGH, AND AS MATTER COMPANY POLICY, CAST THEIR NETS FARTHER.

2. TODAY PRODUCERS COMPONENT PARTS HERE FACE SLUMP IN DEMAND WORLD MARKET BUT ARE CONTINUING TO MAINTAIN PRESENT PRODUCTION LEVELS. ALTHOUGH DEMAND HAS DROPPED, COMPANIES ARE MAINTAINING THEIR WORK FORCES, SOME EVEN PLANNING INCREASE STAFF. IN PENANG, U.S. INVESTORS IN THE FREE TRADE ZONE HAVE CUT FROM SIX TO FIVE DAY WEEK. INCLUDED ARE NS ELECTRONICS, MONOLITHIC MEMORIES, ADVANCED MICRO DEVICES, INTEL AND HEWLETT-PACKARD. MANAGER NS, THE SENIOR MAN IN TENURE PENANG, SAID SOFTENING OF MARKET ATTRIBUTED TO INVENTORY ADJUSTMENT, FOR DUE HIGH INTEREST RATES USA, END-USERS NOW CUTTING BACK ON SIZES OF ORDERS AND EXISTING INVENTORIES, LATTER PERMITTED BY IMPROVED DELIVERY TIME. ALTHOUGH NS SINGAPORE HAD REDUCED STAFF, CUT WAS MAINLY IN PRODUCTS OTHER THAN SEMICONDUCTORS. THE NS PLANTS IN MALAYSIA, HE SAID, WERE NOT AFFECTED.

3. IN KUALA LUMPUR AREA, MOTOROLA'S SEMICONDUCTOR PLANT, EMPLOYING 1200 SCHEDULED INCREASE EMPLOYMENT TO 2000 BY END OF YEAR. ITS MANAGER TOLD EMBASSY IT WAS STILL WORKING FULL WORK WEEK AND SEMICONDUCTOR PRODUCTION WAS SCHEDULED TO INCREASE.

4. MATSUSHITA (JAPAN) PLANNED EXPANSION ITS RESISTORS AND CAPACITORS PRODUCTION WHICH MAINLY EXPORTED TO U.S.A. COMPANY SPOKESMAN SAID DROP IN DEMAND IN USA CAUSED BY CONSUMERS DRAWING DOWN OWN STOCK, FOR NORMALLY PEAK PERIOD CONSUMPTION WOULD BE JULY, WHEN MANUFACTURERS ELECTRIC GOODS WOULD BEGIN PRE-LIMITED OFFICIAL USE

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PARING FOR CHRISTMAS DEMAND. HE STATED THAT DROP IN DEMAND IN EUROPE, ESPECIALLY FRANCE AND ITALY, CAUSED BY BAN ON IMPORTS OF ELECTRONIC GOODS TO PROTECT DOMESTIC INDUSTRIES. HE ADDED THAT IF THE SITUATION CONTINUED, MATSUSHITA WOULD HAVE TO ADJUST PRODUCTION.

5. MONSANTO ELECTRONICS, PRODUCING DIODES FOR EXPORT TO ITS PARENT IN THE USA SAID IT WAS INCREASING PRODUCTION

AND THERE WAS NO REDUCTION IN THE WORK FORCE OF 1500
FORESEEN.

6. TEXAS INSTRUMENTS SEMICONDUCTOR PLANT HAS CLOSED
FOR ONE WEEK VACATION IN EFFORT ADJUST TO DEMAND.
THE PLANT MANAGER ON HOME LEAVE AND ACTING MANAGER
REFERRED US TO HOUSTON OFFICE FOR LONG-RANGE PLANS OF FIRM.

7. ALTHOUGH NOT YET ANNOUNCED, TELEDYNE'S SEMICONDUCTOR
DIVISION IN SINGAPORE RECENTLY OBTAINED PERMISSION
OF MALAYSIAN GOVERNMENT TO MOVE ITS FACILITY FROM
SINGAPORE TO MALAYSIA. THE FIRM TOLD THE LOCAL INVESTMENT
BOARD THAT THE TIGHT LABOR MARKET AND NEW GUIDELINES
FOR HIGHER WAGES IN SINGAPORE CANCELLED OUT PRODUCTIVITY
GAINS THERE.

8. HENCE SOFTENING OF WORLD MARKET IS BEING REFLECTED
IN ELECTRONICS INDUSTRY IN MALAYSIA, WHICH IS ALMOST
EXCLUSIVELY FOREIGN OWNED. MANAGERS APPEAR TO BE
WAITING FOR THE PARENT FIRMS IN USA TO ADVISE ON
FUTURE PRODUCTION PLANNING.
UNDERHILL

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